

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Price Cap Performance Review)
for Local Exchange Carriers)

CC Docket No. 94-1

Access Charge Reform)

CC Docket No. 96-262

PETITION OF AT&T CORP. FOR PARTIAL RECONSIDERATION
OF THE COMMISSION'S X-FACTOR ORDER

Pursuant to Section 1.429 of the Commission's Rules, 47 C.F.R. §1.429, AT&T Corp. ("AT&T") respectfully requests that the Commission reconsider in part its Fourth Report and Order in CC Docket No. 94-1 and Second Report and Order in CC Docket No. 96-262, released May 21, 1997, FCC 97-159 (hereinafter Order or X-Factor Order).¹

INTRODUCTION AND SUMMARY

Although the X-Factor Order makes commendable progress in improving the price cap plan for regulating the interstate access services furnished by incumbent local exchange carriers ("LECs"), there are a few key areas in which the Order should be reconsidered and revised to provide a more effective and reliable price cap

¹ The summary of the Order was published in the Federal Register on June 11, 1997 (62 Fed. Reg. 31939).

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system. Specifically, AT&T requests the Commission to reconsider the following matters:

- (1) The Order's erroneous reliance on "total company" data, rather than interstate-only data, as the basis for measuring the LECs' productivity;
- (2) The Order's improper retention of the low-end adjustment mechanism in the price cap system for those LECs earning lower rates of return, while concurrently removing entirely the sharing obligations applicable to LECs whose earnings substantially exceed the rate of return levels prescribed by the Commission; and
- (3) The Order's failure to require the price cap LECs, in their implementing tariff filings, to adjust their price cap indices (PCIs) to the levels that would have been in effect had the Commission adopted its revised X-Factor to be effective with the LECs' 1995 annual tariff filings (instead of their 1996 tariff filings only, as provided in the Order).

The treatment of these matters in the Order is exceedingly advantageous to the price cap LECs, but works to the serious detriment of the interexchange carriers and long distance consumers. As shown in Part I, the Order's use of "total company" data, rather than interstate-only data, produces an understatement of nearly two to three percentage points in the LECs' X-Factor. Part II shows that the Order's continued inclusion of the low-end adjustment mechanism rewards inefficient LECs, permitting them to raise access charges in future years to make up for their alleged earnings shortfalls in the past. Finally, Part III demonstrates that the Order's limited application of the revised X-Factor only to the PCIs for the 1996 tariff year (rather than for the 1995 tariff year

as well, which is equally justified) causes the current year's LEC access charges to be more than \$360 million higher than they otherwise would be.

ARGUMENT

I. THE ORDER ERRS IN RELYING EXCLUSIVELY ON "TOTAL COMPANY" PRODUCTIVITY GROWTH DATA.

The Order gives scant attention to one of the most important considerations in measuring the X-Factor for the LECs' interstate services -- namely, whether an adjustment should be made to the estimates of the LECs' "total company" productivity growth to account for greater productivity growth determined on an "interstate-only" basis. See Order at ¶¶107-112. After a cursory review of the record, the Order concludes that "we find no basis in the record for making an adjustment to the X-Factor to account for any differences between interstate and total company productivity," and that, consequently, the Commission finds no "systematic bias" in relying exclusively on "total company" productivity to measure the LECs' interstate productivity. Id. at ¶¶110, 112. These conclusions are erroneous, and should be reconsidered.

The Order's finding that there is no systematic bias in relying on total company data is flatly contradicted by the Commission's previous recognition that the LECs' interstate productivity growth substantially exceeds productivity growth for their local and intrastate services. This question was carefully scrutinized when

the Commission first formulated the LEC price cap plan. In the LEC Price Cap Order,² the Commission found that its staff's initial study of LEC productivity had to be revised because that study erroneously applied to "all [LEC] telephone services," not just to LEC interstate services that are subject to price cap regulation. The study was then revised to examine separately interstate and intrastate use patterns, and on that basis the Commission concluded that "the more rapid growth in interstate usage results in higher apparent interstate productivity growth."³ The study upon which the Commission's conclusion was based (conducted by the Commission's staff economist) repeatedly emphasized the greater rate of demand growth for the LECs' interstate services, compared to their intrastate services, and found that this greater interstate demand growth contributed to higher productivity growth in the LECs' interstate services vis-a-vis their intrastate services. Thus, the Commission-sponsored study concluded that an "adjustment to the total company long term [productivity]

² Second Report and Order, Policy and Rules Concerning Rates for Dominant Carriers, 5 FCC Rcd. 6786 (1990) (LEC Price Cap Order), recon., 6 FCC Rcd. 263 (1991), aff'd sub nom., National Rural Telephone Ass'n v. FCC, 988 F.2d 174 (D.C. Cir. 1993).

³ Id. 5 FCC Rcd. at 6798 (1992) (emphasis added).

estimate should be made" to derive the greater interstate productivity growth.⁴

Moreover, AT&T demonstrated in the Commission's most recent X-Factor proceeding that the output growth rate for the LECs' interstate access service substantially exceeds that for the LECs' local and intrastate regulated services. On the basis of data from the Bell Operating Companies reported to the FCC, AT&T showed that, during the post-divestiture period (1985-94), demand for the LECs' interstate access services grew at an annual rate of 6.8 percent, while the combined annual growth rate in demand for the LECs' local and intrastate services was only 4.2 percent.⁵ Similarly, the consultants to the Ad Hoc Telecommunications Users Committee (Ad Hoc) presented additional data showing the distinct difference between the rates of demand growth applicable to the LECs' interstate services and their intrastate services, pointing out that the LECs' total company dial equipment minutes have been growing by only 3.7 percent annually, whereas their interstate switched access minutes have been experiencing growth rates of about 10 percent annually.⁶

⁴ Id., App. D, 5 FCC Rcd. at 6935-37 (emphasis added).

⁵ AT&T Comments in CC Docket 94-1, filed January 16, 1996, App. A at 26, and App. B at 21-22.

⁶ Ad Hoc Comments, attached Report of Economics and Technology, Inc. (ETI Report) at 46.

Contrary to the Order's claim of a lack of record support, the evidence is overwhelming that the demand (output) growth rate for the LECs' interstate services far exceeds that for their local/intrastate services. It is equally clear that, as the Commission has recognized, greater demand growth results in greater productivity growth.⁷ Accordingly, there is compelling support for the fact that the rate of productivity growth for the LECs' interstate services is much higher than the rate of productivity growth for their "total company" services.

Besides the marked difference between the interstate and intrastate growth rates for the LECs' outputs, there are significant differences in the cost characteristics of their respective inputs. As AT&T demonstrated, interstate access services rely more on fixed inputs (e.g., switching and transmission equipment) and less on labor and materials inputs than do local services. Consequently, there are greater economies of scale, as well as technological advantages, which are associated with the LECs' provision of interstate access services, compared to their local services.⁸ The substantial differences in input characteristics between

⁷ See, e.g., LEC Price Cap Order, 5 FCC Rcd. at 6798, 6935-37.

⁸ AT&T Comments, App. B at 22. See also, Ad Hoc Comments, ETI Report at 46-47.

the LECs' interstate services and their local/intrastate services further support the fact that the LECs' interstate productivity growth is considerably greater than the growth for their other regulated services.

The record clearly establishes, therefore, that the essential predicate for using LEC "total company" data to represent interstate total factor productivity ("TFP") performance is non-existent. Contrary to the assumption accepted by the Order, there is no basis at all for treating interstate TFP as equivalent to local/intrastate TFP. There is no valid support in the record or elsewhere for the implicit assumption that productivity growth for the LECs' interstate services is essentially the same as for their local/intrastate services.⁹ As the Commission has recognized in the past, the LEC "total company" productivity estimates must be adjusted upward to obtain more reliable estimates of the LEC interstate productivity.

⁹ See, e.g., AT&T Reply Comments in CC Docket 94-1, filed March 1, 1996, App. C (Statement of Dr. M. Ishaq Nadiri, Jay Gould Professor of Economics, New York University). Dr. Nadiri, a noted expert on productivity measurement, examined various issues concerning the use of LEC total company data to measure productivity for their interstate services, and he found considerable evidence that LEC interstate TFP significantly exceeds their local/intrastate TFP. He concluded, therefore, there is no validity to the use of LEC total company productivity measures as a proxy for interstate-only productivity.

The Order is plainly incorrect in disregarding the Commission's previous findings and the extensive evidence of record that establish a pronounced downward bias in an X-Factor measurement based exclusively on the LECs' total company productivity. Instead of observing this clear-cut systematic bias, the Order summarily concludes that it finds "no basis in the record for making an adjustment to the X-Factor" to reflect the differences between interstate and total company productivity. Order at ¶110.

This conclusion fails to recognize the valid studies submitted by AT&T and Ad Hoc determining the magnitude of the adjustment to the X-Factor estimates required to account for the use of total company TFP. On the basis of AT&T's Performance-Based Model, this adjustment should be in the range of 1.9 to 2.8 percentage points, and according to Ad Hoc's consultants, the adjustment should be 2.8 percentage points.¹⁰

The Order claims that the record does not allow the Commission "to quantify" the extent of the difference between interstate-only and total company productivity growth. Order at ¶110. However, the presumed difficulty of "quantifying" this difference does not justify reliance

¹⁰ See AT&T Reply at 22, 38; AT&T Reply, App. B at 51-52; Ad Hoc Comments, ETI Report at 55-56. The results of AT&T's total company and interstate-only X-Factor measurements, indicating the difference between them, are set forth in the Order, ¶36, nn. 69-70.

on an inherently incorrect procedure that is bound to give the wrong answer. Contrary to the Order's presumption, separate calculations can reasonably be made to determine interstate, as distinguished from local/intrastate, productivity growth. As explained by AT&T's expert consultants, it is entirely feasible to measure separately TFP for the LECs' interstate access services, as distinct from their other regulated telephone services. This can be done, and was done, through direct measurements of the outputs in these respective sectors and through the use of conservative assumptions about the trend of their inputs.¹¹ As AT&T demonstrated, the LEC outputs can be measured directly for each component of the LECs' services -- interstate, on one hand, and local/intrastate, on the other. As to inputs, a conservative assumption can be made that inputs grow at the same rates for the LECs' interstate access services as they do for their other regulated (local and intrastate) services. Thus, no specific allocation of costs is required when inputs (capital, labor and materials) are treated as growing at the same rates for all classes of LEC services.

In fact, this approach produces a conservative result, from the standpoint of the LECs, because of the relatively greater operational and technological

¹¹ AT&T Comments, App. B at 23.

efficiencies in providing interstate access services. Making this conservative assumption permits the computation of TFP separately for interstate access and for the LECs' other services in a way that combines to the total company TFP results measured directly.¹² In this manner, the AT&T Performance-Based Model produced separate TFP measures for the LECs' interstate access services and for their "total company" regulated services.¹³

As noted above, the AT&T Performance-Based Model results show that the TFP for the LECs interstate services exceeds the TFP computed on a total company basis by at least 1.9 percentage points.¹⁴ Recent jurisdictional separations data confirms that AT&T's approach was conservative. Examination of the jurisdictional separations data during the LEC price cap period (1991-1994) shows that the LECs' interstate growth in revenues per dollar of input expense exceeded the LECs' interstate growth in expenses. If adjustments are made to the results of the Performance-Based Model to reflect the fact that the LECs' interstate expenses grew more slowly than

¹² AT&T Comments, App. A at 27.

¹³ See AT&T Reply, App. B (Reply Statement of Dr. John R. Norsworthy, Professor of Economics, Rennselaer Polytechnic Institute, and Dr. Ernst R. Berndt, Professor of Applied Economics, Sloan School of Management, Massachusetts Institute of Technology) at 29-35, 42-43, and 51-52.

¹⁴ Id. at 51.

their interstate revenues in recent years, the TFP calculated on an interstate-only basis would be 2.8 percentage points higher than the TFP measured on a total company basis.¹⁵

Accordingly, the Order errs in concluding that a total company TFP calculation should be followed because of the presumed difficulty to "quantify" an adjustment to reflect interstate-only TFP. In essence, the Order assumes that because there is no "perfect" procedure, the Commission must rely on a highly questionable (indeed biased) approach. As the courts have emphasized, however, the pursuit of perfection may become "the enemy of the good" and thus be detrimental to the public interest. See MCI Telecommunication Corp. v. FCC, 627 F.2d 322, 341-42 (D.C. Cir. 1980).¹⁶ The approach followed by AT&T in its Performance-Based Model represents a reasonable method for

¹⁵ Id. at 52. See also AT&T Comments, App. A at 29-30. These data thus plainly refute the unsupported argument of the United States Telephone Association (USTA) that it would be "more reasonable to assume that interstate inputs grow at the same rate as interstate outputs." See Order at ¶110.

¹⁶ See also, e.g., Rural Tel. Coalition v. FCC, 838 F.2d 1307, 1314-15 (D.C. Cir. 1988) (holding that the absence of absolute precision in measuring interstate results separately from intrastate should be no deterrent to using "reasonable measures" to distinguish interstate amounts from intrastate amounts). The achievement of such separate measurements "is not a matter for the slide-rule" but only requires the exercise of informed judgment. See MCI Telecommunications Corp. v. FCC, 750 F.2d 135, 141 (D.C. Cir. 1984).

determining interstate productivity and provides far more reliable results than does the "total company" approach utilized in the calculations set forth in the Order.

II. THE ORDER ERRS IN RETAINING THE LOW-END ADJUSTMENT MECHANISM.

The Commission should also reconsider the Order's retention of the "low-end adjustment mechanism." Although comments on this aspect of the LEC price cap structure were solicited in the Commission's Fourth Further Notice of Proposed Rulemaking, 10 FCC Rcd. 13659, 13679-80 (1995), and numerous comments on this subject were received from the participating parties, the Order itself hardly discusses the matter and merely pronounces a barebones conclusion that the low-end adjustment is being retained. Order at ¶¶11, 160.

The Order states tersely that the Commission is retaining the low-end adjustment mechanism in order to "guard" individual LECs against the revised X-Factor producing "unreasonably low rates." Order at ¶11. It is ironic, however, that the Commission would evaluate whether rates are "unreasonably low" on the basis of a rate-of-return regime (implicit in the low-end adjustment mechanism) which the Commission itself has often disparaged in this and other LEC price cap orders. Moreover, the Order neglects to recognize that each of the smaller LECs may opt out of price cap regulation by choosing not to be subject to price caps if it decides

that the revised X-Factor level might jeopardize its earnings in the future.

Even more significant is the fact that the low-end adjustment mechanism works at counter purposes to the objectives of incentive regulation embodied in the LEC price cap plan. The low-end adjustment might have made some sense in the earlier years of price cap regulation, but it has no value under present circumstances. The low-end adjustment rewards the most inefficient LECs by permitting them to recover much of their past earnings deficiencies in the form of increased access charges in the future. Furthermore, the low-end adjustment has been abused in the past by various LECs, through such devices as manipulating year-to-year rate of return levels.¹⁷

It is especially noteworthy that, in their comments in this proceeding, many of the LECs agreed that there is no need for the Commission to retain the low-end adjustment. Indeed, none of the LECs mounted a serious defense of the low-end adjustment mechanism, and most opposed it outright.¹⁸ The only argument that any LEC made in favor of the low-end adjustment was a plea for symmetry, *i.e.*, if the Commission were to keep the sharing

¹⁷ See AT&T Comments at 40-41.

¹⁸ See, *e.g.*, Bell Atlantic Comments at 2, 6-7 (low-end adjustment rewards inefficient companies); USTA Comments at 43; BellSouth Comments at 41; U S WEST Comments at 25; U S WEST Reply at 34.

requirements, it should also retain the low-end adjustment.¹⁹ However, given the fact that the Commission has now eliminated the sharing obligations, that argument ceases to have any validity.

Indeed, it is particularly anomalous that the Commission has retained the low-end adjustment mechanism, while at the same time it has eliminated sharing requirements. The Order characterizes the sharing provisions as representing a "major vestige of rate-of-return regulation", which should be abandoned (§148), but it readily continues the low-end adjustment which is similarly wedded to rate-of-return regulation.²⁰ The Commission's reasoning for eliminating sharing equally militates against retaining the low-end adjustment. As the Order states, "sharing severely blunts the efficiency incentives of price cap regulation by reducing the rewards of LEC efforts and decisions" (§148). "These reduced incentives," it further observes, can be "expected to generate lower LEC efficiency," which will reduce consumer benefits. Id.

On the other hand, the Order appears unconcerned about the "reduced incentives" implicit in the low-end

¹⁹ See, e.g., Southwestern Bell Comments at 34-35; NYNEX Comments at 4 n.9.

²⁰ As recognized in Appendix B (§77) to the Order, a "number of LECs advocated eliminating the low-end adjustment mechanism as an unneeded vestige of rate-of-return regulation."

adjustment mechanism, where inefficient LECs are not penalized but are allowed to recover their alleged earnings shortfalls through charging higher access rates in the future. If the objective of LEC price cap regulation is to create incentives for greater efficiencies and to replicate the competitive marketplace, as the Commission advocates, there should be a system of equivalent rewards and penalties. To eliminate sharing, and concurrently retain the low-end adjustment, is entirely inconsistent with the purposes of incentive regulation.

In sum, the Order's lopsided regulatory scheme -- which permits LECs to make low-end adjustments but does not require them to share excessive earnings -- is untenable. It safeguards the LECs to the detriment of consumers.²¹ Either the present rules allowing a low-end adjustment for those price cap LECs experiencing deficient rate-of-return levels should be eliminated, or the Commission should reevaluate its decision to remove the sharing obligations imposed on LECs earning at rate-of-return levels that are too high. Thus, if the Commission

²¹ Even without the low-end adjustment as part of the rules, the Commission still has the power to grant relief if a LEC is in dire financial circumstances. That is, in case adverse economic conditions ever truly threaten a LEC's ability to attract capital and provide adequate service, the LEC can request a waiver of the Commission's price cap rules, submit an "above-cap" filing, or request other special relief. See also USTA Comments at 43.

retains the low-end adjustment, it should also reinstate the sharing requirements of the price cap plan with a sharing threshold that will assure the LECs do not continue to be enriched by their current windfall earning levels.²²

**III. THE ORDER ERRS IN FAILING TO APPLY THE REVISED
X-FACTOR TO THE PCIS FOR THE 1995 TARIFF YEAR.**

Quite properly, the Commission recognizes that the "interim X-Factor that [it] adopted in 1995 understates LEC industry productivity growth." Order at ¶178 (emphasis added). Thus, the Commission "conclude[s] that allowing all of the past two years of understated productivity to become permanently ingrained in LEC PCIs would not strike the proper balance between stockholder and ratepayer interests." Id. at ¶179 (emphasis added). And the Commission further observes that its "repeated emphasis that the X-Factor" adopted in its 1995 Order "was 'interim' should reasonably have put carriers on notice that another adjustment of the type we had adopted in that order would be possible -- perhaps beginning with the 1995

²² As AT&T previously informed the Commission, during the past year the price cap LECs earned, on average, an interstate rate of return of over 14.8 percent -- more than 350 basis points above the Commission-prescribed rate of return. See Order (denying petitions for partial stay), released June 18, 1997, FCC 97-216, at ¶31, n.60, referring to Lubin Affidavit attached to AT&T Opposition. Against this background, there clearly is no unfairness to LECs in, at minimum, reinstituting the current sharing thresholds.

tariff year, the first year under the interim X-Factor."
Id. (emphasis added).

After pronouncing a persuasive, principled basis for applying its revised X-Factor to the LEC PCIs beginning with the 1995 tariff year, the Commission retreats from that position. This about face was allegedly prompted by the "relative uncertainty" associated with the "longer period" than "anticipated" in which the interim X-Factor was in place. Accordingly, the Order applies the revised X-Factor to the PCIs for the 1996 tariff year, requiring "each price cap LEC to adjust its PCIs" in its forthcoming tariff filing to the levels "that would have been in effect had we adopted the 6.5 percent X-Factor in time to become effective with the LECs' 1996 annual tariff filings." Order at ¶179 (emphasis in original).

The Order's conclusion that the revised X-Factor should be applied only to the 1996 tariff year is contrary to the very principles enunciated by the Commission. The 1995 tariff year, as well as the 1996 year, represented the entire period in which the previously adopted "interim" X-Factor was in effect. As the Commission pointed out, the price cap LECs were reasonably on notice that the interim X-Factor was to be replaced with a permanent one after a "more accurate method of measuring productivity performance" was determined. Id. at ¶¶178-79. The Commission further observes that the interim X-Factor in place during the past two years

"understates" LEC productivity growth. And it emphasizes the principle that "the past two years of understated productivity" should not become "permanently ingrained in LEC PCIs." *Id.* at ¶179 (emphasis added).

However, by applying the revised X-Factor only to PCIs for the 1996 tariff year, the Order has produced a result that has "permanently ingrained in LEC PCIs" an understated rate of productivity growth. This is highly detrimental to ratepayers and, ultimately, to consumers of long-distance services. As AT&T has estimated, this erroneous determination in the Order understates the LECs' current year access tariff reductions by approximately \$368 million.²³

Nor is there a sufficient reason for imposing this substantial burden on consumers on the ground that there was a "longer period of relative uncertainty" concerning a final X-Factor ruling than was originally "anticipated." The Commission itself never adopted an ironclad schedule for completing its decision in this proceeding. Further, the price cap LECs were fully cognizant of the many other resource demands on the Commission arising from certain statutory deadlines, and they were fully aware that the previously adopted X-Factor

²³ See Attachment A hereto setting forth a schedule showing the amount of additional LEC access charge reductions if the 6.5 percent X-Factor were applied as well to the PCIs for the 1995 tariff year.

was only "interim" in nature. Indeed, some of these LECs took actions that tended to prolong completion of this proceeding. Most significantly, the price cap LECs have prospered considerably during the period that the interim X-Factor was in place.²⁴ Under these circumstances, there is no indication of any detrimental reliance on the part of the price cap LECs.

Therefore, the Commission should adhere to the principles it enunciated in this Order and in its 1995 LEC Price Cap Performance Review Order,²⁵ and revise this Order to require each price cap LEC to adjust its PCIs prospectively to the levels that would have been in effect had the Commission adopted the revised X-Factor in time to become effective with the LECs' 1995 annual tariff filings.

²⁴ For 1996, price cap LECs earned, on average, an interstate rate of return of 14.8 percent. See p. 16, n.22 supra. During this proceeding, AT&T also noted that the five RBOCs, electing the then-highest X-Factor option, had earned an average return of 14 percent during the third quarter of 1995. See AT&T Reply at 3, n.3.

²⁵ First Report and Order, CC Docket No. 94-1, 10 FCC Rcd. 8961, 9069-73 (1995), aff'd sub nom. Bell Atlantic Tel. Cos. v. FCC, 79 F.3d 1195, 1204-05 (D.C. Cir. 1996).

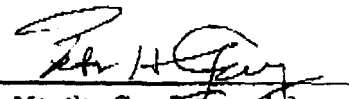
CONCLUSION

For the reasons stated above, the Commission should reconsider and revise its X-Factor Order with respect to the substantive matters set forth in this Petition.

Respectfully submitted,

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REINITIALIZATION OF TARIFF YEAR 1995 FOR REVISED X-FACTOR

	X-FACTOR SELECTION 1995 ANN FLG (A)	X-FACTOR (ADJUSTED) (B)	DIFFERENCE (C) (B) - (A)	R (t-1) CL, TS, TR BASE YR 1996 (D)	REINITIALIZE 1995 @ 6.50% X-FACTOR (E) (C) * (D)
AMERITECH	5.30%	6.50%	1.20%	\$2,461,782,539	\$29,541,390
BELL ATLANTIC	5.30%	6.50%	1.20%	\$2,875,180,211	\$34,502,163
BELLSOUTH	5.30%	6.50%	1.20%	\$3,413,879,338	\$40,966,552
CITIZENS**	NA	NA	NA	NA	\$0
FRONTIER	5.30%	6.50%	1.20%	\$26,188,193	\$314,258
GTE	NA*	6.50%	NA	\$2,795,136,166	\$52,451,277
LINCOLN	5.30%	6.50%	1.20%	\$34,390,402	\$412,685
NEVADA BELL	5.30%	6.50%	1.20%	\$56,433,150	\$677,198
NYNEX	4.00%	6.50%	2.50%	\$3,148,028,097	\$78,700,702
PACIFIC BELL	5.30%	6.50%	1.20%	\$1,751,744,343	\$21,020,932
ROCHESTER (TOTAL)	5.30%	6.50%	1.20%	\$109,702,808	\$1,316,434
SBC	5.30%	6.50%	1.20%	\$2,103,857,490	\$25,246,290
SNET	4.00%	6.50%	2.50%	\$366,619,551	\$9,165,489
SPRINT	5.30%	6.50%	1.20%	\$1,068,545,059	\$12,822,541
USWEST	4.00%	6.50%	2.50%	\$2,462,217,302	\$61,555,433
TOTAL				\$22,673,704,648	\$368,693,343

*COMPOSITE OF 5.3% AND 4.0%

**NOT PRICE CAP IN 1995

SOURCE: LEC TRP's, 1995 AND 1997